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 Attorney for Plaintiff,
 NACIO SYSTEMS, INC.

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

NACIO SYSTEMS, INC.	)	Case No.: C 07 3481 PJH
a Nevada corporation,)	
)	
Plaintiff)	
v.	)	DECLARATION OF CAREY DALY IN
	)	SUPPORT OF:
)	
HERBERT GOTTLIEB, an individual;	)	1) PLAINTIFF'S APPLICATION WITHOUT
SWIDENT, LLC, a California Limited	)	NOTICE FOR TEMPORARY RESTRAINING
liability corporation,	)	ORDER RE PRESERVING EVIDENCE ; AND
)	
Defendants	)	2) PLAINTIFF'S SECOND APPLICATION
	)	FOR TEMPORARY RESTRAINING ORDER
	)	RE COPYRIGHT INFRINGEMENT AND
	)	SHORTENING TIME FOR LIMITED
	)	DISCOVERY

I, Carey Daly, say:

1. I am the Senior Vice President of Nacio Systems, Inc, ("Nacio") have personal knowledge of the facts set out below and could competently testify to them if called upon to do so.

Education and Experience

2. For the last twenty years I have been working as a corporate executive involved in corporate 'turnarounds,' in which capacity I am hired to evaluate how to rescue a floundering

1 corporation from its adverse position. That work requires me to evaluate the corporation's
2 balance sheet, business plan, employees, vendors and customer relationships in order to
3 determine where usually limited resources can best be deployed. I also work for investors
4 interested in acquiring troubled corporations, a function that requires the same skill set.

5 3. I acquired the skills necessary to perform this work while working for the
6 companies listed on my resume, Exhibit A hereto. My degrees in Computer Science, Business
7 and Business Law led me to work in the data processing group for a commercial credit
8 corporation, where I coordinated the implementation of computerized accounting connections
9 between newly-acquired companies and equipment suppliers. Thereafter, I became the Director
10 of Mergers and Acquisitions for American Standard Company, where I performed pre-
11 acquisition audits of various target companies as well as post-acquisition internal accounting. I
12 subsequently managed a Systems Engineering and Software Group for ICL, a software
13 development corporation whose application set was used by Fortune 500 companies nationwide.

14 4. In December, 2006, while working as a forensic auditor, I was asked to undertake
15 due diligence on Nacio on behalf of a potential investor. As a result of that work I was
16 subsequently asked to become Senior Vice President of the company, a position that I have held
17 since January 2007. My assignment was to try to understand and take control of many chaotic
18 aspects of Nacio's business in order to facilitate a significant investment in the company.

19 5. Since beginning work with Nacio, I have undertaken extensive investigation into
20 the company's history, including prior corporate reorganizations, asset sales and transfers
21 whereby Nacio as it is currently constituted came into existence. I have interviewed current and
22 former employees, and undertaken a wide variety of document searches to enable me to
23 understand the current corporate structure and the status of the assets it now owns. Due to the
24 variety of corporate restructuring transactions that had taken place prior to my arrival, it has
25 taken me much time to understand the company's history.

1 **Nacio History and Products**

2 6. Nacio currently performs a variety of data processing services for major us
3 corporations and government agencies. It provides Web-hosting, disaster recovery and co-
4 location services. Department of Justice regulations applicable due to Nacio's federal customers
5 require Nacio to maintain exceptional security on its premises and systems. Nacio's headquarters
6 are guarded by former Navy SEALs and other military personnel, and have computer-controlled
7 access not only on outside doors, but inside the facility as well. A similar level of data security is
8 maintained on Nacio's systems to prevent the compromise of sensitive data. The company
9 requires non-disclosure agreements from all employees.

10 7. When I was first engaged to review Nacio, in December 2006 it had serious
11 problems. Since my becoming SVP of the company, I have been trying to deal with a plethora of
12 issues necessary to stabilize the company for an infusion of capital. Chief among these have been
13 various pieces of on-going litigation, among them claims asserted by Mr. Gottlieb, and other
14 suits that are currently in trial or about to go to trial, all of which need to be dealt with before an
15 investor would commit to putting more money into the company.

16 8. As is set out in more detail in the accompanying declaration of Betz Burkart, one
17 of Nacio's software products is the GASP audit suite. This application program set uses a
18 Software Information Database ("SID") to allow users to identify whether the software residing
19 on corporate systems is validly licensed or not. Nacio acquired GASP when it bought the assets
20 and name of Attest Systems, a company founded by Herb Gottlieb. Gottlieb became the
21 employee of a Nacio subsidiary after the acquisition and then left the company in March 2006.

22 9. The SID is the heart of the intellectual property in GASP, which uses the records
23 in the database to automate the search through the thousands of programs that an average
24 corporation may have resident on their computer network.

25 10. Nacio, and Attest before it, have registered the copyrights in GASP and its
26 components with the federal government. Nacio owns all intellectual property rights in GASP,
27 and has not granted Mr. Gottlieb or SWIdent any interest in GASP or its components.

Gottlieb Theft of Confidential Data

11. Among the various pieces of litigation arising before my involvement was the aftermath of a suit by Herb Gottlieb, the former owner of Attest Systems, a company whose assets and name Nacio acquired. In investigating that matter, I asked my staff to review the various systems archives that might contain information to help me understand the situation.

12. I was informed by a member of my staff, Betz Burkart, that system records showed that Mr. Gottlieb had bundled together the customer list of Attest and Nacio customers, into a 'zip file,' a compressed format used to transport data from system to system. When I asked for copies of his Outlook email files, I was told that they were not to be found on the system.

13. I knew from my data processing experience that Outlook saved email information in a 'pst' file format in addition to the files in which current information was stored. I investigated our backup records, and was able to unpack the 'pst' file that contained Mr. Gottlieb's email history.

14. This record showed that Mr. Gottlieb had, on March 29, 2006, just prior to his departure from the company, sent the '.zip' file in question, as well as his entire email directory, to his home email account. He then deleted the main email directory, apparently to conceal his actions. He does not appear to have understood that Outlook kept copies of his emails in the ".pst" file.

15. I have also learned from other members of my staff whose declarations accompany this one that Mr. Gottlieb took out a safe that contained the source code to GASP, as well as the Registration Key generator software that enables evaluation copies downloaded for our web site. With this information Mr. Gottlieb can sell valid keys for GASP to third parties.

16. After discovery of this material, I investigated further, and learned from staff members that Mr. Gottlieb had been involved after his termination with PS'Soft, a company that

1 sells a product that competes with GASP. PS'Soft had been in negotiations to purchase GASP
2 and the SID before my arrival, but after Nacio complained about Gottlieb's involvement, the
3 negotiations ceased. As is also detailed in Ms. Burkart's declaration, Gottlieb later showed her
4 computers at his house running what appeared to be copies of the SID, and told her he was
5 working to upgrade, correct and expand the PS'Soft version of the same database.

6 17. When I asked for information about Nacio's GASP-related revenue after Mr.
7 Gottlieb left, I was told that the sales and maintenance revenue had fallen off significantly. The
8 revenues from South America, for example, have dropped to zero. European revenues,
9 particularly for maintenance fees, appear to have fallen by 50%. Both South America and Europe
10 were being serviced by resellers, BIT S.A. and Attest Europe, whose proprietors I understand to
11 be very loyal to Mr. Gottlieb.

12 18. I am therefore very concerned that Mr. Gottlieb has used the proprietary
13 information he has taken from Nacio to harm the company by disseminating it improperly to
14 competitors and for his own gain.

15
16 I declare under penalty of perjury under the law of the United States that the foregoing is
17 true and correct at that this declaration was executed in Novato, California on July ____, 2007
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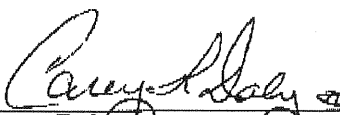
21 _____
22 Carey Daly
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Carey Daly